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Simple and Efficient Estimation Approaches for Stochastic Volatility Models

There is a long history on the estimation of the parameters of the standard stochastic volatility models. Among the existing approaches, the so-called generalized method of moments (GMM) and the quasi-maximum likelihood estimation techniques are widely used. We introduce a simpler method of moments (MM), which, unlike the existing GMM approach, does not require an arbitrarily large number of unbiased moment functions to construct moment estimating equations for the parameters involved. Furthermore, the small sample behaviour of the MM approach is examined through a simulation study. We also provide another simpler 'working' generalized quasi likelihood (WGQL) approach.